



OFFICE OF THE ATTORNEY GENERAL OF TEXAS
AUSTIN

GERALD C. MANN
ATTORNEY GENERAL

Honorable John Q. McAdams
Banking Commissioner of Texas
Austin, Texas

Dear Sir:

Opinion No. O-4654

Re: Stock certificates of minors
in building and loan associa-
tions are not chargeable with
losses, and related matter.

Your request for opinion has been received and
carefully considered by this department. We quote from your
request as follows:

"A building and loan association incorporat-
ed under the laws of this State is now in the
process of liquidation under the provisions of
Article 881a-55. It now develops that the assets
will not produce sufficient cash to pay off all
the stockholders in full. During the course of
the association's operations as a going concern,
it issued stock certificates in favor of minor
persons, . . . and other certificates in favor
of guardians of minors. These certificates in
no wise differed from other certificates issued
by the corporation except for the fact that they
were issued in favor of minors or guardians.

"Your attention is directed to the provisions
of Article 881a-35 (c) to the effect that juvenile
shares shall not be chargeable with losses of any
kind.

"Please advise us whether or not in the dis-
tribution of the funds of the above mentioned
association it should pay the full withdrawal
value on shares issued to minors or to guardians,
or should the holders of these shares participate
prorata with other stockholders in proportion to
their withdrawal value.

". . ."

Article 881a-36, Vernon's Annotated Texas Civil Statutes, reads in part as follows:

"All building and loan associations, when provided in its by-laws, may issue different classes of shares and share accounts as provided herein:

". . .

"(c) Juvenile shares may be issued in the name of any minor. Such shares shall be held for the exclusive right and benefit of the minor and free from the control or lien of any other persons. The dues paid upon these shares, together with the dividends credited thereto, may be withdrawn in whole or in part by the person in whose name they were issued during his minority and his receipt or acquittance shall be a valid and sufficient release and discharge to the association for such accumulated dues, together with the dividends credited thereon, or any part thereof. Juvenile shares shall not be subject to any membership or withdrawal fees of any nature, or to fines for failure to pay dues punctually, nor shall the holder thereof be required to make regular or specific payments. Such shares shall not be chargeable with losses of any kind, nor shall they entitle the holder to vote at any meeting of the shareholders. Such shares may be credited with dividends at a rate not less than sixty (60%) per centum of the rate of dividends apportioned and credited to installment shares, as the by-laws shall provide. The matured value of all the juvenile shares issued by an association shall not exceed in the aggregate at the time of issue, twenty-five (25%) per centum of the aggregate matured value of existing shares of all other classes.

". . ."

Article 881a-55, Vernon's Annotated Texas Civil Statutes, reads as follows:

"Whenever the losses of any building and loan association, resulting from depreciation in value of its securities or otherwise, exceed

its contingent reserve fund, undivided profits and current earnings, so that the estimated value of its assets is less than the total amount due its members, the Banking Commissioner of Texas upon petition of such building and loan association, may order a reduction of its liability to its members, except upon juvenile shares, in such manner as to distribute the loss equitably among such members. If thereafter, such association shall realize from such assets a greater amount than was fixed in the order of reduction, such excess shall be divided among members whose credits were so reduced, but to the extent of such reduction only." (Underlining ours)

It is our opinion that the full withdrawal value on juvenile shares should be paid to minors or guardians, as the case may be, in the distribution of the funds of the above mentioned building and loan association.

Very truly yours

ATTORNEY GENERAL OF TEXAS

APPROVED JUN 24, 1942

Wm. J. Fanning By
FIRST ASSISTANT
ATTORNEY GENERAL

Wm. J. Fanning
Wm. J. Fanning
Assistant

WJF:CC

